



County of Los Angeles CHIEF EXECUTIVE OFFICE

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August 21, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

State Budget

Today, over two months since the June 15th Constitutional deadline for the Legislature to pass the budget, the Senate narrowly approved the FY 2007-08 State Budget, **SB 77**, by a vote of 27 to 12. The Senate also approved all of the accompanying trailer bills which were approved by the Assembly on July 20, 2007, and three new trailer bills: **AB 199**, which addresses energy efficient State buildings, **AB 201**, which makes railroads eligible for certain transportation bond funding, and **AB 203**, which replaces SB 83 as the new Health Trailer bill. The Assembly concurred with these bills shortly after Senate approval. Senators Ackerman and Maldonado provided the necessary votes to achieve the required two-thirds vote on all bills.

The budget as passed is the result of multifaceted negotiations which resulted in the following agreements:

- The Governor's commitment to use his line-item veto authority to reduce spending by \$700 million to eliminate the structural deficit in the budget year; however, it is not known which items will be reduced;

- Approval of **SB 97** which places a moratorium on lawsuits involving greenhouse gas emissions through 2009 to protect transportation projects funded by Proposition 1B and flood prevention projects funded by Proposition 1E until the Air Resources Board adopts new regulations in compliance with AB 32 (Chapter 488 of 2006 -- The California Global Warming Solutions Act);
- Removal of a ban on the participation of railroads in the Proposition 1B Goods Movement Emission Reduction Program;
- Deletion of statutory provisions that allowed trial lawyers to seek larger compensatory damages in civil lawsuits involving Medi-Cal;
- Removal of a requirement that all State buildings built or renovated after January 2009 achieve Leadership in Energy and Environmental Design silver ratings for energy efficiency (green environmental status); and
- Allocation of additional funding for K-12 school equalization in FY 2008-09.

The Governor is expected to sign the budget and issue his line-item vetoes before the end of this week.

Now that the budget stalemate is over, the Governor and the Legislature will turn their focus to Health Care Reform and over 800 bills still under consideration before the session adjourns on Friday, September 14, 2007.

Lastly, the resolution of the budget also means that the State Controller can start paying an estimated \$3.0 billion owed to healthcare institutions, nursing homes, child care facilities, and others, as soon as the Governor signs the budget.

We will continue to keep you advised.

WTF:SRH:GK
MAL:MR:acn

c: All Department Heads
Legislative Strategist
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California Contract Cities Association
Independent Cities Association
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